√

App. F. IX-4

Previous References

1930 (97)

File No. 6—30

Serial Nos. 88 & 89

Later References

P. 7/(6)

PRESERVED

General and Revenue Secretariat.

Serial Nos., 2

Part B for ~~July 1931~~ October 30

SUBJECT.

Preliminary report on the Progress of new Loans of 1930.

88.89) To Comptroller's W.H. C12 of 6.X.30

States that ~~the~~ action should be taken to close the list as soon as subscriptions approaches Rs 4 crores & that the date of closure should be settled in time & intimated to all Banks & Treasuries in time etc

W.H. 7/10/31

G.O. Note Books – 537 & 17.9.30 Gf 6-30 – 88

1

Preliminary Report on the Progress of the New Loans

====

P.R for 17.9.30

282.13 Cabels

The total amount so far (15-9-30) subscribed, amounts to about 272½ lakhs as detailed under =

Realisations in cash	...	147.72 lakhs
7 Percent Conversions	...	76.08 "
Government of India Securities		14.88 "
Savings Bank Fixed Deposit and 5½% conversions	...	25.26 "
Other items such as Provident Fund, insurance etc	...	8.56 "
		272.50 lakhs

2. We require a minimum of about Rs 300 lakhs for the Treasury requirements, 100 lakhs for replenishing the deficiency in cash and 195½ lakhs for discharge of 7% Loan against which the amount received so far in cash, 7% conversions and Government of India Securities amounts to Rs 238.68 lakhs as detailed above. If the loans are closed after getting another about Rs 65 lakhs either in cash, 7% conversions or Government of India bonds the Treasury requirements would have been met and we would have provided for the following:-

(1) Replenishment of cash balance bringing the cash balance on 1st July 1931 to 100 lakhs and enabling us to manage the Treasury Operations without loans from Banks.

(2) Full provision for discharge on the due date (1-11-1931) of the 7% Loan unconverted bonds

(3) Keep the investments relating to Reserve Liabilities upto the level prescribed in Govt Order No.Fl.5719-SA 7 dated 25-2-1930. The deficiency on 1-7-30 was Rs 174¾ lakhs and by the cancellation of the 7% Sinking Fund Reserve amounting to about 170½ lakhs the deficiency would be reduced to about 4¼ lakhs

(4) Full provision for the capital expenditure according to the current year's Budget Estimates.

3. The amount that would be available for capital expenditure from 1931-32 onwards would have to be limited

to

the ordinary incomings under Debt heads which would be only Rs 30 to 35 lakhs If more than this amount is to be spent by Government on Capital works a further borrowing to a corresponding extent would be necessary. A statement showing the commitments on account of sanctioned Capital works, prepared on the information available in this office, is attached

4. Before fixing the limit as to what amount has to be borrowed for meeting the liability on account of capital works in addition to 300 lakhs referred to above it is of the utmost importance to see how the Revenue Account can be made to bear the necessary Interest and Sinking Fund Charges without undue strain. We may assume that a loan of about 400 lakhs would be taken in all and that 2½ Crores would be ~~on~~ in the 5½% and 1½ Crores in the 5% according to the trend of the subscriptions received so far and that 35 lakhs would be on account of Conversion of existing liabilities on account of Savings Bank Fixed Deposits. The additional burden on the revenue account will be as under:-

On this basis the total amounts to be provided for under Sinking Fund and Interest Charges would be 29.32 lakhs and 21.25 lakhs respectively against a corresponding saving of 14.83 lakhs and 13.90 lakhs from the discharge of the 7% loan and 1.75 lakhs interest on 5% Fixed Deposits converted. The additional burden on the revenue Budget would thus amount to 20.09 lakhs. From the present position of the Revenue accounts, it is nut of question to change the whole of this additional amount to the Revenue Budget without upsetting it althgether.

29.32
21.25
50.57

14.83
13.90
1.75
30.48
20.09
49.57

5. I therefore propose the following arrangement for providing for the repayment of the 5½ % Loans in 1938. The amount now provided in the Budget on account of ~~the~~ Interest and Sinking Fund charges on account of the 7% Loan as well as the interest on the present Sinking Fund investments of this loan which will be released, may be contributed by Revenue for the Interest and Sinking Fund on the New 5 and 5½% Loans. The deficiency in the Sinking Fund for the 5½% in 1938 may be made good by borrowing from the Sinking Fund of the 6¼% Loan and the deficiency required for repaying the 6¼% and 6½% in 1940 and 1941 by continuing the present contribution from Revenue for a few years (about ~~3~~ 2) after 1941. A sinking Fund may be started from 1944 for the 5% Loan (amount 1½ Crores) to be repaid in 1955. The above arrangement is worked out in detail as follows:-

(1) Interest on 7% Loan	...	13.90 lakhs
(2) Sinking Fund contributions	...	14.83 lakhs
(3) Interest on 7% Sinking Fund investments	...	5.88 lakhs
(4) Saving in Savings Bank Fixed Deposit interest		1.75 "
		36.36

(1) + (2) + (3) = 34.61
(4) = 1.75

By the Complete discharge of the 7% Loan and the reduction in Savings Bank Fixed deposits of 35 lakhs, a saving of 36.36 lakhs, in the Revenue account, as detailed under, may be effected:-

Deducting therefrom the interest charges on the New Loans amounting to 21.25 lakhs, the balance of 15.11 lakhs would be transferred to the ~~Saving~~ Sinking Fund on account of the New Loans without any additional charge on the Revenue Account. The total contribution to the Sinking Fund at the end of 8 years would amount to about 144.29 lakhs at 5% compound interest. This amount would be short of the amount required for the discharge of the 5½% New Loan of about 2½ Crores by 105.71 lakhs. The Sinking Fund balance at end of 1938 in the 6¼% and 6½% Loans at the present rate of

contributions may stand at 121.10 lakhs and the sum of 105.71 lakhs required for repaying the 5½% Loan would be borrowed from this leaving it at 15.39 lakhs. After 1938 the entire saving of interest charges and the Sinking Fund and Contribution on account of the 5½% loan amounting to 28.85 lakhs per annum would become available for the discharge of the 6¼% and 6½% Loans. This would amount to about 87.25 lakhs in three years, which, with an opening balance of 15.39 lakhs gives 102.64 lakhs against 150 lakhs to be discharged in 1940 and 1941. The shortage of about 47½ lakhs would have to be borrowed from the investments held against the other Reserves, subject to recoupment by future contributions in two years. Thereafter a small provision of 9½ lakhs per annum would suffice for liquidating the 5% Loan of 150 lakhs on the due date.

It may be seen from the above note that Rs 4 crores is the utmost limit of our borrowing capacity at present.

6. No provision has been made in the current year's Budget on account of the charges on the New Loans. I think a considerable amount has to be paid on account of brokerage, commission, bonus, anticipatory interest and interest on the New Loans etc. These charges will be separately calculated and the amount of additional grant required will be intimated to Government in a further note after the closing of the Loan.

We may expect to cover a portion of these charges from the interest to be realised from the investment of surplus cash in short periods, having regard to Treasury requirements.

18/9

V. S. Ramamurthy

Comptroller.

CV

17/9/30

To The Financial Secretary to Govt

IW C 12/H

Camp, Mysore,
xxxxxxx 6th October 1930

6

S. SHAMANNA, Esq., B.A.,

Comptroller to Government.

With reference to your ~~letter~~ Unofficial Note No.Books-537 dated 17th September 1930 submitting a preliminary report on the progress of the New Loans, I am directed to state that action should be taken to close the lists, as soon as subscriptions in all forms to the loans approach 4 crores of rupees and that the date of closure should be settled in time and intimated to all the Banks and Treasuries authorised to receive subscriptions.

2. As the Annual General Revenue Account cannot bear a large demand on account of loan sinking funds than the present contributions for them, the future annual contributions to the new 5 and 5½ per cent loans will be fixed at the amount now being set apart for the sinking fund for the 7 per cent loan.

3. I am also to add that a very close study of the cash balance position from time to time is very necessary with a view to invest all surpluses and earn the largest possible interest on them for meeting as far as possible the additional expenditure involved on the current year on loan floatation operations for which no special provision has been made in the Budget.

I have the honor to be,
Sir,
Your most obedient servant,

For Financial Secretary to Government.

S.R.-2